Commonwealth of Massachusetts

Department of Public Utilities

Investigation by the Department of Public Utilities on its

Own Motion into Rate Structures that will Promote Efficient

D.P.U. 07-50

Development of Demand Resources

Introduction

The Greater Boston Real Estate Board is the oldest Real Estate Trade Association in America and

the only one that comprises all disciplines within the industry. We are comprised of 5 divisions,

and have over seven thousand members who represent commercial and residential brokerage,

finance, commercial, and residential development including the production of affordable housing,

as well as the management of commercial and residential buildings. Three of these divisions

have national affiliations.

Summary

Conserving energy is very important to our membership, and the industry. It is an issue that is

not only socially responsible, but makes good economic business sense given the high costs of

electricity in Massachusetts. The conservation measures taken by our members are costly and

financed with an expectation that savings on power will result from the reduced costs of power

consumed and lower delivery costs will justify the substantial capital outlay. That is why the

Greater Boston Real Estate Board has very strong concerns about revenue decoupling, and

believes that it is not in the best interest of power consumers across the Commonwealth.

Comments

The Greater Boston Real Estate Board believes that revenue decoupling is not about conservation, or protecting the environment. It is about guaranteeing a rate of return to utilities, and eliminating risk for their shareholders. This is not a conservation issue. It is about utility companies avoiding rate setting risk.

Under the present system, utility companies can be made whole if their transmission revenue decreases. This can be done through formal rate proceedings, and we believe that proceeding is the proper forum for those issues to be addressed.

Under the proposed system, there are no incentives for utility companies to promote conservation. The rate of return for the delivery of power is guaranteed. We believe that guaranteeing a rate of return to utilities in this manner is overly broad, and will result in the creation of an entity that is unresponsive to the consumer, with no accountability because their returns are guaranteed.

Under the proposed system, an owner or developer of a commercial or residential project has no clear incentive to conserve, or build green. Under the proposed system, the developer's savings in conservation is now earmarked for the utilities. In fact there could be instances where a developer or owner could decide not to undertake some projects altogether, if a mandate by other government regulations to produce residential or commercial structures that is more energy efficient is in effect. A decision to build will be based solely on the economics of the project. Energy efficient projects often cost more to construct, and if the savings of building one are reduced, there is less incentive to build. That is not the public policy message that the Commonwealth should be sending.

Conclusion

As an organization, the Greater Boston Real Estate Board would like to participate on a consumer

panel, and provide testimony on the impact of this departure from traditional rate setting

principles.

The Greater Boston Real Estate Board would like to thank the Department for the opportunity to

submit these comments and for entertaining our request to provide experts for a panel. If you

have any questions about this filing, or our comments please contact:

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Respectfully Submitted,

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